



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0285	Title:	Exempt tribally owned property from taxation
Primary Sponsor:	Augare, Shannon	Status:	As Introduced

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$49,411)	(\$51,462)	(\$53,597)	(\$55,822)
State Special Revenue	(\$3,121)	(\$3,250)	(\$3,385)	(\$3,525)
Net Impact-General Fund Balance	<u>(\$49,411)</u>	<u>(\$51,462)</u>	<u>(\$53,597)</u>	<u>(\$55,822)</u>

Description of fiscal Impact:

The bill exempts property owned and exclusively used by an Indian tribe from property tax. The tribe must be a federally recognized tribe or the Little Shell band of Chippewa. The bill will reduce state revenue, and local government revenue, and school revenue in thirteen counties.

FISCAL ANALYSIS

Assumptions:

1. Under current law, tribally owned business equipment property on the reservation is not taxed. In this fiscal note, tribally owned business equipment property off the reservation is assumed to be negligible. Only tribally owned real property on and off the reservation is considered.
2. General fund revenue includes 95 mills assessed on taxable property statewide and 1.5 mills assessed on taxable property in Missoula, Cascade, Lewis & Clark, Silver Bow, and Yellowstone counties (college of technology counties).
3. University system state special revenue includes 6 mills assessed on taxable property statewide.

4. The growth in taxable value of tribally owned real property is assumed to grow at the same rate as the taxable value of statewide class 4 property in calendar year 2008 through calendar year 2011. From HJR 2, this growth rate is 4.15%.
5. Calendar year 2006 total taxable value of tribally owned real property in non-college of technology counties is \$498,386.
6. Calendar year 2006 total taxable value of tribally owned real property in college of technology counties is \$991.
7. FY 2007 general fund revenue generated from tribally owned real property is \$47,442 $\{(\$498,386 \times 0.095) + (\$991 \times 0.0965)\}$. General fund revenue generated from tribally owned real property is forecast to be \$49,411 $(\$47,442 \times 1.0415)$ in FY 2008, \$51,462 $(\$49,411 \times 1.0415)$ in FY 2009, \$53,597 $(\$51,462 \times 1.0415)$ in FY 2010, and \$55,822 $(\$53,597 \times 1.0415)$ in FY 2011.
8. The total calendar year 2006 taxable value of tribally owned real property statewide is \$499,377 $(\$498,386 + \$991)$.
9. The FY 2007 university system revenue generated from tribally owned real property is \$2,996 $(\$499,377 \times 0.006)$. University system revenue generated from tribally owned real property is forecast to be \$3,121 $(\$2,996 \times 1.0415)$ in FY 2008, \$3,250 $(\$3,121 \times 1.0415)$ in FY 2009, \$3,385 $(\$3,250 \times 1.0415)$ in FY 2010, and \$3,525 $(\$3,385 \times 1.0415)$ in FY 2011.
10. The FY 2007 state share of revenue from taxes on tribally owned real property is \$50,439 $(\$47,442 + \$2,996)$. The state share of revenue from taxes on tribally owned real property is forecast to be \$52,532 $(\$49,411 + \$3,121)$ in FY 2008, \$54,712 $(\$51,462 + \$3,250)$ in FY 2009, \$56,982 $(\$53,597 + \$3,385)$ in FY 2010, and \$59,347 $(\$55,822 + \$3,525)$ in FY 2011.
11. Actual FY 2007 tax revenue from tribally owned real property is \$256,625.
12. Actual FY 2007 local government revenue is \$206,186 $(\$256,625 - \$50,439)$.
13. The growth in local mills applied to the taxable value of property for FY 2008 through FY 2011 is provided in Table 1. This growth is based on the average mill levy growth from calendar year 2003 to calendar year 2006 in levy districts in which the majority of the tribal land exempt under this bill is located. Those levy districts are categorized and averaged by county location.

Table 1
Projected Average Tribal Land Mill Levies by County

County	Average County Mill FY 2007	Mill Levy Growth Rate	*****Projected Mill Levies*****			
			FY 2008	FY 2009	FY 2010	FY 2011
Missoula	489	1.7%	498	506	515	524
Flathead	518	4.0%	538	560	582	605
Lake	502	3.5%	520	538	557	577
Sanders	510	4.3%	532	554	578	603
Phillips	470	4.6%	492	514	538	562
Blaine	444	-0.2%	443	442	441	440
Valley	501	5.1%	527	554	583	612
Big Horn	404	-3.6%	390	376	362	349
Yellowstone	511	0.5%	514	517	519	522
Rosebud	323	5.5%	341	360	379	400
Glacier	601	-0.1%	601	600	599	599
Pondera	556	2.9%	572	589	606	623
Hill	525	4.6%	549	574	600	628
Weighted Avg. Increase			1.06%	1.05%	1.21%	1.28%

14. Table 2 provides projected state and local government property tax reduction under this bill.
15. The loss of the total tribal land property tax revenue is determined by multiplying the calendar year 2006 taxable value times the class 4 property tax growth rate (4.15%) times the weighted average increase in the mill levies as shown below:
- FY 2008: \$270,112 (\$256,625 x 0.0415 x 0.0106)
 - FY 2009: \$284,519 (\$270,112 x 0.0415 x 0.0105)
 - FY 2010: \$299,915 (\$284,519 x 0.0415 x 0.0121)
 - FY 2011: \$316,374 (\$299,915 x 0.0415 x 0.0128)

Table 2 Projected Property Tax Revenue Loss due to HB 285 FY 2008 through FY 2011					
Mill Type	FY 2007 Revenue	FY 2008 Revenue	FY 2009 Revenue	FY 2010 Revenue	FY 2011 Revenue
Total Property Tax Loss	\$256,625	\$270,112	\$284,519	\$299,915	\$316,374
Less State Property Tax Loss	(\$50,439)	(\$52,532)	(\$54,712)	(\$56,982)	(\$59,347)
Equals Local Governments Share	<u>\$206,186</u>	<u>\$217,580</u>	<u>\$229,807</u>	<u>\$242,932</u>	<u>\$257,026</u>

16. This bill is effective for calendar year 2007, so the fiscal impact begins in FY 2008. Property tax for calendar year 2007 values on real property are paid in November of 2007 and May of 2008, or entirely within calendar year 2008.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Revenues:</u>				
General Fund (01)	(\$49,411)	(\$51,462)	(\$53,597)	(\$55,822)
State Special Revenue (02)	(\$3,121)	(\$3,250)	(\$3,385)	(\$3,525)
TOTAL Revenues	<u>(\$52,532)</u>	<u>(\$54,712)</u>	<u>(\$56,982)</u>	<u>(\$59,347)</u>

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$49,411)	(\$51,462)	(\$53,597)	(\$55,822)
State Special Revenue (02)	(\$3,121)	(\$3,121)	(\$3,121)	(\$3,121)

Effect on County or Other Local Revenues or Expenditures:

1. Under proposed law projected local government loss is \$217,580 in FY 2008, \$229,807 in FY 2009, \$242,932 in FY 2010, and \$257,026 in FY 2011.

Long-Range Impacts:

1. The losses to the tax base under proposed law will be ongoing.

Sponsor's Initials

Date

Budget Director's Initials

Date